[Rao Bahadur A. Rengaswami Aiyar.]

The budget includes in addition to the ordinary provision for maintenance and repairs and for the completion of works in progress, a sum of Rs 3·62 lakhs for new works and Rs 3 lakhs for new communications, including the works to be financed out of the Road Development Fund.

Additional provision has been made in the estimates for next year for the constitution of a separate sub-division for looking after the electrical installations and their maintenance in the Government buildings at Trivandrum, Nagercoil and Kottayam with effect from 1st Chingom 1113.

31. *Devaswom Fund.*—Provision has been made for the usual contribution of Rs 16 lakhs payable to Devaswom Fund.

CAPITAL EXPENDITURE.

32. The principles governing the classification of expenditure between Revenue and Capital not charged to Revenue, and the method of financing Capital expenditure indicated in detail in para 3 of my budget speech last year have been followed this year. During the budget discussion last year, our policy in this regard was strongly criticised by certain members on the ground that it is novel and unsound in principle to debit to Capital not charged to Revenue, the expenditure on schemes which are not directly remunerative and do not yield the prescribed return on the sums invested thereon. I explained at the time that our policy in this respect was quite in accordance with the orthodox canons of finance and the practice followed in British India and elsewhere and that it was not incorrect to debit to Capital, expenditure on the creation of permanent assets of lasting public utility, which involves considerable outlay that cannot be reasonably met out of current revenues and which benefit future generations also. In further support of our position in this respect, I would invite the attention of the Honourable Members to the arrangements since adopted in the United Kingdom, of financing their huge re-armament schemes involving about 400 millions of pounds out of borrowed funds and classifying them as Capital. In British India, it will be seen that the Ministers of certain provinces are contemplating the financing of rural reconstruction and other development schemes out of Capital. There need therefore be no doubt in regard to the soundness or propriety of our policy in this respect.

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33. This year also, a sum of Rs 98·48 lakhs has been provided in the budget under Capital expenditure not charged to Revenue for expenditure on capital schemes under the following heads:—

Non-productive works.

	Rs.
Water Supply Schemes	16·96 lakhs
Drainage Scheme	7·50 ,,
Miscellaneous	14·86 ,,
Total	39·32 ,,

Productive Schemes shown under Debt Heads.

	Rs.
Pallivasal Hydro-Electric Project	36·33 lakhs
Ceramic Factory	2·25 ,,
Commercial Transport	5·00 ,,
Other Schemes	3·70 ,,
Total	47·28 ,,
Loan to the Cochin Harbour authorities towards the 4th stage works and the cost of Dredger shown under Advances	11·88 lakhs
Grand Total	98·48 lakhs.

The provision relates mostly to schemes started in the current and preceding years, and now in progress. I furnish below brief details of the more important schemes provided in the estimates of the next year.

WATER WORKS AND DRAINAGE.

34. *The Willingdon Water Works, Trivandrum.*—The total of the sanctioned estimates for the first and second stages and supplemental works relating to the scheme amounts to Rs 58·56 lakhs. The expenditure to the end of the current year is expected to amount to Rs 58·27 lakhs against this estimate. The work of laying mains in the second stage area of the Water Supply to the Town has made good progress. Out of the 46 miles, pipes have been laid for 40 miles. The reconstruction and extension of the Water Works Office building is making good progress and it is hoped that the building

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